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PAUL F. MANLEY  
17917 SCHNELEY AVE.  
CLEVELAND 19, OHIO

# FOREIGN POLICY BULLETIN

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## WILL U.S. ADAPT POLICY TO CHANGING TRENDS IN EUROPE?

THE debates of the Council of Foreign Ministers in London, which adjourned abruptly on December 15, resembled a curtain briefly lowered while significant scene-shifting was rapidly effected by the Big Four. It is as yet too early to pass judgment on some of the historic shifts of the past week, but the following underlying trends should be noted:

1. *Readjustments in France and Italy.* The danger of prolonged strikes, possibly degenerating into civil war, with which French and Italian Communists, excluded from the cabinets of their respective countries, had challenged the governments of MRP Premier Robert Schuman and Christian Democratic Premier Alcide de Gasperi, has for the time being abated. The period of intense ferment revealed three important factors which are bound to affect the future course of events in France and Italy. First, a majority of workers appear weary of industrial unrest, and suspect the political motives of Communist strike-leaders. Second, the governments of France and Italy, although severely strained by recurring crises, have sufficient strength, and enjoy sufficient public support, to resist strike threats without resort to violence and without submission to pressure from the extreme Right. And third, it is now generally recognized that in countries plagued by mounting inflation, unrestrained black markets, and precarious reconstruction, workers have legitimate grievances which must not be confused with Communist propaganda, and must be corrected by adjustments in production and prices.

Following settlement of the Rome strike, Premier de Gasperi on December 14 broadened his cabinet by inclusion of Republicans and right-wing Socialists. Significant among changes in the cabinet are the appointment of Randolfo Pacciardi, a Republican who fought Franco in the Spanish civil war, as second

Vice-Premier, and of Giuseppe Saragat, leader of right-wing Socialists, as third Vice-Premier; another right-wing Socialist, Roberto Tremelloni, has been named to the key post of Minister of Industry and Commerce. In Paris on December 12 René Mayer, Minister of Finance, announced that he was consulting leaders of labor and management concerning the government's proposed economic program, which is reported to include increased supplies of food for city workers, a decision by the cabinet not to borrow further from the Bank of France, and hope that food prices can be held at least at their present levels by increasing imports. Meanwhile, in Brussels, Socialist Premier and Foreign Minister Paul-Henri Spaak, regarded as one of the ablest political leaders in Europe, stated to an American correspondent that "the only answer to communism now is socialism—not reaction."

2. *U.S. Acknowledges Role of Socialism.* The first official indication that the United States is aware of this fact in Europe, and will no longer permit its

*For background information on questions of immediate concern to the United States, read the following FOREIGN POLICY REPORTS:*

EUROPEAN RECOVERY PROGRAM  
by Harold H. Hutcheson

December 15

THE NEW POLAND  
by S. Harrison Thomson

December 1

TECHNICAL SPECIALIZED AGENCIES  
OF THE U.N.  
by Fred L. Hadsel

November 15

RUSSIA'S INTERNAL ECONOMIC  
PROBLEMS  
by Vera M. Dean

July 1

25 cents each

Subscription \$5; to F.P.A. members, \$4.

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foreign policy to be overshadowed by fear of socialism, was given by Secretary of State Marshall in London on December 12 at the Pilgrims' dinner, when he said that the difference between Britain's Socialist economy and United States capitalism offers "no serious difficulties" to continued development of "close and even fraternal relationship" between the two countries. Hitherto there had been increasing danger that, in its efforts to check Russia and communism, the United States, by confusing socialism with communism, and by identifying democracy exclusively with free private enterprise of the American type, would find itself associated in the eyes of the world with reactionary forces everywhere, at incalculable risk to its prestige and influence. Had the American government made its position with respect to the need for social and economic reforms in post-war Europe clear when the war drew to a close, as urged by many observers,\* the situation on the continent, and the condition of Russo-American relations, might be profoundly different today. The important thing now is for the United States to keep on understanding that demands for social and economic reforms are not all inspired by Communist propaganda, and that institutions of political liberty will have a chance to flourish in other countries only if they can emerge from the morass of war-created misery. It is in this connection that the European Recovery Program assumes particular importance.

*3. France and Britain Hold Balance Between U.S. and U.S.S.R.* The threatened strikes in France accelerated the process, already under way since the Moscow conference of last spring, by which Foreign Minister Bidault was gradually loosening the ties formed with Russia in the immediate post-war period, chiefly by General de Gaulle, and drawing closer to the Western powers. France's post-war rapprochement with Russia resulted from its traditional effort to balance off German pressure on France by a Russian pledge of pressure on Germany. To the extent that the United States and Britain can hold out the promise of long-term protection to the French against the re-emergence of Germany as a military power, France will be less in need of Russian safeguards.

Meanwhile, Britain has given many indications that it is not prepared to go as far as the United States in opposing Russia and the Russian-oriented countries of Eastern Europe. On December 11 the youthful British Minister of the Board of Trade, J. Harold Wilson, announced that he had arranged a trade agreement with the Soviet government providing for exchange, on a barter basis, of Russian barley, corn and oats for British electrical machinery and tools. In this connection it should also be noted

that, contrary to the policy followed by the United States of withholding financial aid from Eastern European countries friendly to the U.S.S.R., former Premier Mikolajczyk, in a speech on December 12 to the Overseas Writers Club in Washington, urged economic aid to Poland as a check on communism in that nation. Meanwhile, in spite of demands from Republican circles for cessation of shipments of American goods to Russia, the Administration has taken the view that such shipments should be continued. This view is strongly supported by Hanson Baldwin of the *New York Times*, who has pointed out that the United States benefits more than Russia by the present trade between the two countries, since we import from the U.S.S.R. certain scarce strategic materials, notably manganese, chrome and platinum.

*4. U.S. Emphasizes Policy of Intervention.* In addition to acknowledging the role of socialism in Europe, the United States has also recognized the need for continued, as contrasted with spasmodic, intervention in European affairs. Coincident with the withdrawal on December 14 of the last remaining American troops from Italy, as provided by the Italian peace treaty, President Truman stated on December 13 that "this country continues its interest in the preservation of a free and independent Italy." The statement went on: "If, in the course of events, it becomes apparent that the freedom and independence of Italy upon which the peace settlement is based, are being threatened directly or indirectly, the United States, as a signatory of the peace treaty and as a member of the United Nations, will be obliged to consider what measures would be appropriate for the maintenance of peace and security."

Some observers, both here and in Italy, believe that the position of the United States in the months ahead would have been far stronger had the American government urged United Nations protection for Italy, even though Italy is not yet a member of the UN. Others are proposing a regional security agreement for southern Europe within the framework of the UN Charter. While the United States has taken a long step away from its traditional policy of nonintervention, it is still at the half-way stage of preferring unilateral national intervention as in Greece, and conceivably in Italy, to intervention through the organs of the UN. Hitherto, Russia's veto power in the Security Council has been regarded as an insuperable obstacle to the adoption of international measures of security. This question, however, calls for intensive study. For the danger might arise that disinclination to argue with Russia in the UN might drive the United States to rely on unilateral measures which, in turn, become an easy target for Communist propaganda. The Soviet gov-

\*See, "U.S. Policy In Europe," *Foreign Policy Reports*, January 15, 1946.

ernment, it should be noted, has announced that, in accordance with the Bulgarian peace treaty, Russian troops were withdrawn from Bulgaria on December 14.

5. *Devaluation in Russia.* That Russia, too, is not immune from the strains and stresses of post-war recovery was indicated on December 14, when the Soviet government announced a triple-barreled program of currency devaluation, termination of rationing, and introduction of a single-price system with reduction of prices for bread, cereals and beer. Inflationary tendencies had been apparent for some time in the Soviet economy.\* The Kremlin now undertakes to combat these tendencies by three principal measures. The ruble (which is not quoted on foreign exchanges) has been drastically devalued. On a cash basis one new ruble will be given for ten old ones. On savings accounts and deposits, however, the rate will be one-for-one on the first 3,000 rubles, two new rubles for three old ones on the next 7,000, and one new one for two of the old on all accounts above 10,000. Rationing of foodstuffs and industrial consumer goods has been terminated—a measure facilitated by an unusually good crop last summer and by some improvement in the output of consumer goods, notably by cooperatives. The two-price system which has been in effect for several years, with low prices (raised in September 1946) on rationed goods, and high prices on unrationed items sold through government commercial stores or in the free market by individual peasant producers and coopera-

tives, has been abandoned in favor of a "unified commercial price." The government, however, will continue to control retail prices, and there will be different price scales for urban and rural areas, with advantages for the former, as well as for three different geographic zones, with advantages for the devastated regions. The immediate effect of price changes may mean at least temporarily higher prices for some items previously rationed. But prices for bread and flour will be reduced by 12 per cent, and those for cereals, macaroni and beer by 10 per cent.

Four points are particularly stressed in the Soviet decree: (1) that the sacrifice asked of Soviet citizens is "the last sacrifice" resulting from World War II which the country will be asked to bear; (2) that devaluation will end the activities of "speculators"; (3) that readjustment in prices will mean an increase in real wages for workers and employes; and (4) that the U.S.S.R., in spite of deflationary measures, does not have "and will not have unemployment." This last point will unquestionably receive marked attention in Soviet propaganda.

It becomes increasingly apparent that the controversy between the United States and Russia is not only a conflict over ideologies, but a very concrete debate about the practical measures that can be taken in the post-war world to prevent economic crises and improve economic and social conditions. In this debate the issues are not all black and white. As conditions in most European countries indicate, different mixtures of economic ideas and practices are needed to fit diverse conditions.

VERA MICHELES DEAN

## F. P. A. BOOKSHELF

*Gandhi and Stalin: Two Signs at the World's Crossroads*, by Louis Fischer. New York, Harper, 1947. \$2.50

A well-known correspondent, who has intimate knowledge of both Russia and India, feeling that the crisis of our times is essentially moral, believes that the philosophy of Gandhi offers a practicable alternative to the doctrines and practices of the Soviet government. Little consideration, however, is given to comparison of conditions in Russia and India.

*Recognition in International Law*, by H. Lauterpacht. Cambridge, England, Cambridge University Press, 1947. \$5.50

A full treatment of the legal aspects of recognition of states and governments and of the status of belligerency considered against the background of recent diplomatic practice.

*White's Political Dictionary*, by Wilbur W. White. New York, World Publishing, 1947. \$3.50

Written by a political scientist, this is a concise yet authoritative guide for the layman.

*Democracy in the Dominions*, by Alexander Brady. Toronto, Canada, University of Toronto Press, 1947. \$4.25

An original study of the emergence of democratic government in Canada, Australia, New Zealand and South Africa. This book is a useful comparative analysis of the growth of self-rule in each country, showing that geography, history and race, among many diverse factors, have combined in each case to produce a government and social structure different from that in the other nations, yet related by adherence (although not fully in South Africa) to the institutions and concepts of democracy derived from Britain.

*Canada*, by Edgar McInnis. New York, Rinehart, 1947. \$5.00

A full-scale history of the oldest of the British Dominions, from the colonial era through World War II, written mainly for use as a college text.

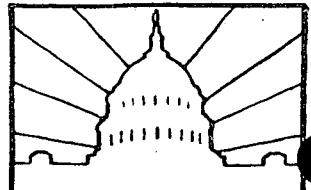
*Italy*, by Elizabeth Wiskemann. New York, Oxford University, 1947. \$1.75

A valuable addition to "The World To-Day" series written with sympathetic understanding yet with a historian's perception of reality.

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# Washington News Letter



## PUBLIC OPINION REMAINS DIVIDED ON MARSHALL PROGRAM

Now that the Capitol has almost completed action on the bill authorizing wintertime relief for France, Italy, Austria, and China, Washington is interested above all in the reception which the Eightieth Congress will give to the European Recovery Program when it convenes in January. American opinion remains so divided that the friends of the program lack the strength necessary to persuade a majority of members of Congress to demand its immediate enactment in a workable form. The Administration apparently will face not only direct Congressional opposition but also lethal amendments offered by members professedly in favor of the program—amendments that would forbid distribution of recovery funds to governments committed to a policy of nationalization, forbid recipient governments to pass American goods or the fruit of those goods on to Eastern European countries, give China a share in the program at the expense of Europe, and reduce the expenditures to the point of meaninglessness.

**PUBLIC OPINION VARIES.** An impressive source of cheer for the Administration is the indication given by important business and labor organizations that they would support a plan calling for extensive United States expenditures to promote the rehabilitation of European economy. The directors of the United States Chamber of Commerce, the Commerce and Industry Association of New York City, the Investment Bankers Association, the American Federation of Labor, and the Congress of Industrial Organizations are outstanding among the groups that have endorsed the recovery program. Industrialist Roy W. Gifford, Chairman of the Borg-Warner International Corporation, has made the novel suggestion that American manufacturers establish an Industrial Council for European Aid to assist in rebuilding and overhauling the European economic machinery. Going beyond simple approbation, the C.I.O. has evangelized for the program in Europe. James B. Carey, secretary-treasurer, persuaded the executive bureau of the World Federation of Trade Unions, meeting in Paris recently, to send out commendatory information about the program to the labor movements in the 63 countries affiliated with the federation, which the Soviet Union, hostile to the program, helped to establish.

Nevertheless, some strong business and labor groups oppose the program. Not all C.I.O. member unions support the stand of the parent organization. In November the international executive board

of the Fur and Leather Workers, for instance, condemned the recovery proposal as "a scheme of the big business trust . . . to extend their domination over the economic and political life of other nations." The international section of the New York Board of Trade expressed concern last month that the program might cause the extinction of a number of small traders.

The National Association of Manufacturers, most important among the organizations taking a negative approach to the program, hedged its endorsement on November 10 with two conditions which could render the program fruitless. The N.A.M. demanded "that participating nations evidence their intent to stabilize their currencies, balance budgets, and place fiscal policies on a sound basis; . . . that during the period of economic aid the countries should not undertake further nationalization projects, or initiate projects which have the effect of destroying or impairing private competitive enterprise." Since existing unbalanced budgets and evidence of unsound fiscal policy abroad reflect rather than create the economic disorder which the recovery program is designed to eliminate, the N.A.M. conditions cannot in effect be satisfied.

**PARTY PROBLEMS.** The Congressional decision between those conflicting opinions depends primarily on the attitude and strength of Robert A. Taft, Republican, of Ohio, chairman of his party's steering committee in the Senate. The key to Taft's present stand is his address to the Ohio Society of New York on November 10, when he said that aid to Europe in the amounts proposed by Secretary of State George C. Marshall—\$18,000,000,000 to \$20,000,000,000 over a four-year period—would menace domestic economic stability and encourage European governments to follow unsound policies. Henry A. Wallace, an outspoken opponent of the recovery program, said in Buffalo on December 11 that he would prefer Taft to Truman for President because the former would change the country's foreign policy. Later, however, Wallace explained that he had in mind Taft's opposition to universal military training. The hostility of Representative Charles Halleck of Indiana, Republican leader in the House, toward the program is another impediment for the Administration in the coming debate. But many leading Republicans, including Governor Thomas E. Dewey of New York, have endorsed the ERP.

BLAIR BOLLES